GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4769
ANSWERED ON:25.04.2008
FOREIGN EXCHANGE RESERVE
Mollah Shri Hannan

Will the Minister of FINANCE be pleased to state:

(a) whether a part of the foreign exchange reserves in India are held as securities issued by the U.S. Treasury;

(b) if so, the rate of return on such U.S. securities;

(c) whether any part of the Indian forex reserve was held in bonds issued in U.S. ; and

(d) if so. the details thereof, and the rationale therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI P.K.BANSAL)

(a) to (d); India`s foreign exchange reserves are invested by the Reserve Bank of India (RBI) in multi-currency, multi-market portfolio including securities issued by the US Treasury in accordance with the provisions of the RBI Act 1934 on holding of foreign assets. The RBI does not holjd bonds issued by such agencies as the Federal National Mortgage Association (FNMA) and Government National Mortgage Association (GNMA) in U.S. The main objectives of investment of the country`s foreign exchange reserves are safety and liquidity. The rate of earnings on foreign exchange reserves (after accounting for depreciation and on the entire stock of assets) was 4.6 per cent in 2006-07.